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## **China, Peoples Republic of**

## **Fishery Products**

## **China's Fishery and Aquaculture Situation**

## **2001**

Approved by:

**Larry Senger**

**U.S. Embassy**

Prepared by:

Adam Branson/Xiang Qing

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### **Report Highlights:**

**China fishery and aquatic production is emphasizing higher quality and more profitable aquaculture varieties. Limits on domestic marine catch create further opportunities for aquaculture and related industries. Domestic consumption of fishery and seafood products expected to grow. Fishery and seafood imports are limited except for those for further processing and re-export.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Beijing [CH1], CH

## General Summary

The Chinese fishery industry produced 42,784,900 metric tons of fresh and seawater catch and culture product in 2000; an increase of 3.8 percent over 1999. The total amount of cultured products was 25,387,400 metric tons. The total amount of naturally caught products was 17,397,500 metric tons. Chinese government sources hold that all future production growth should be attributable to improvements in aquaculture. According to China's Fishery Law that went into effect on Dec. 1, 2000 catch for fresh and seawater products should be held to zero percent growth.

Living standards continue rising and demand for fresh aquatic products is growing. Per capita consumption of all fishery products in urban areas increased from 10.3 kilograms in 1999 to 11.7 kilograms in 2000. Rural area per capita consumption of all fishery products increased from 3.82 kilograms in 1999 to 3.92 kilograms in 2000. Overall, per capita consumption increased from 5.82 kilograms in 1999 to 6.74 kilograms in 2000.

Total trade of all fishery products in 2000 was 2,735,747 metric tons. This is an increase from 1999 trade of 1,922,009 metric tons. Imports increased from 625,922 metric tons in 1999 to 1,251,017 metric tons in 2000. The biggest changes were in frozen fish and mollusks. Most of this is processed and re-exported. Exports increased from 1,296,087 metric tons in 1999 to 1,484,730 metric tons in 2000. Fish fillet exports increased the most by volume. Trade volume should increase again in 2001, but by smaller margins. Trade volume through the first quarter of 2001 increased 13 percent over trade volume in the first quarter of 2000.

Trade shows and expositions are one path for Chinese importers and exporters to meet foreign suppliers or buyers. Chinese importers are also amenable to attending seafood shows and company tours in the United States. Aside from costs, Chinese traders mention language as one of the reasons why more Chinese aquatic food processing companies do not attend U.S. fishery and seafood shows. The Chinese annual seafood exposition is an alternative to U.S. shows. This year, the annual seafood exposition will take place in Qingdao from October 30.

The newest China's Fishery Law took effect on December 1, 2000. Many of the newly added articles to that law are general. This allows provincial and municipal ocean and fisheries bureaus to implement specific regulations that affect the local fishery and aquaculture industry. The law aims at improving the quality of fishery and aquatic products in China along with helping to protect resources.

## Production

PSD Table			
Country	China, Peoples Republic of		
Commodity	Total Edible Fishery Products		Metric Tons
	Revised	Preliminary	Forecast
Market Year Begin	1999	2000	2001
Seawater Landings/Comm'l Catch	14,976,200	14,774,500	14,800,000
Seawater Culture	9,743,000	10,612,900	11,560,632
Freshwater Landings/Comm'l Catch	2,277,700	2,263,700	2,270,000
Freshwater Culture	14,227,200	15,133,800	16,097,823
Total Production	41,224,100	42,784,900	44,728,455
Total Imports	625,922	1,251,017	1,487,620
Total Exports	1,296,087	1,484,730	1,609,334
Domestic Consumption	7,329,925	8,528,717	9,923,568
Sources: China Statistical Abstract and World Trade Atlas			

The Chinese fishery industry produced 42,784,900 metric tons of fresh and seawater catch and culture product in 2000; an increase of 3.8 percent over 1999. The total amount of cultured products was 25,387,400 metric tons. The total amount of naturally caught products was 17,397,500 metric tons. According to the Ministry of Agriculture Fishery Bureau the desired ratio of aquaculture products to naturally caught products is sixty percent aquaculture and forty percent natural catch. Total production in 2000 was near the desired ratio. Expectations for 2001 are that aquaculture production will increase to meet growing domestic demand while catch levels will remain constant.

Chinese government sources hold that all future production growth should be attributable to improvements in aquaculture. First, provinces are dedicating more sea area to aquaculture. According to year 2000 data, of China's 2,600,100 hectares of seawater area only 1,094,900 hectares are used for aquaculture. There is a new law approved by the State Council encouraging responsible sea culture use, but the law awaits National Peoples' Congress ratification. Apparently, the law establishes guidelines for putting sea culture area into use by requiring companies to gain Ocean and Fisheries Bureau approval before going into production on new sea area. Additionally, fishery bureaus intend to alter how some of the current aquaculture area is utilized by introducing more profitable varieties. As part of the 10<sup>th</sup> Five Year Plan, China's government hopes to increase the number of high quality aquaculture service centers from just over twenty at present to near sixty within the next five years. These centers breed parent fish and grow fry that is sold to area aquaculture producers or wholesale markets. Aquaculture emphasis will now be on quality breeds and faster growing breeds that can reach market sooner. Aquaculture producers are looking to cultivate hybrid and faster growing fry, also.

Animal feed prices are higher this year. Aquaculture feed prices in 2000 and through the first part of

2001 were erratic. In turn, aquaculture producers have resorted to using different types of feed for aquaculture use. As for feed consumption and use, data for 2000 were unavailable, but in 1999, aquaculture amounted to nine percent of total feed consumption. The overall level of compound feed usage for aquaculture is small, but expected to grow. Aquaculture producers are learning the advantages of compound feeds and using compound feeds in greater concentration to improve fishery or seafood products health and rate of gain. Compound feeds are fed primarily to high priced export products like shrimp and salmon. Producers are expanding compound feed usage to other varieties while also expanding it to a greater volume of high priced fishery products destined for export.

According to China's Fishery Law that went into effect on Dec. 1, 2000 catch for fresh and seawater products should be held to zero percent growth. Catch limits exceeded in one year must be met with an equivalent reduction in catch the subsequent year. According to fishermen, catch limits are not specified by variety nor are there any daily limits for total allowable catch. The no-catch period from June through mid-September in China's territorial waters along with other significant changes to China's Fishery Law is addressed in the policy section of this report.

Most industry sources believe that, even with the law, there is still over-catching of marine caught products within all of China's Exclusive Economic Zone (EEZ) and territorial waters. In order to further reduce over-catching, China is working with countries that share EEZ and territorial waters. China has reached and finalized agreements with both Japan and Korea to limit the number of fishing vessels in each other's EEZ waters. An agreement reached with Vietnam concerning the waters in the South China Sea awaits finalization.

Fisherman in northern China feel that water temperatures in the Yellow Sea are slowly rising and thus stunting fish growth. Government sources report that water temperatures in the South China Sea have remained stable. Regardless, the end result is that fish and other sea products being caught along with by-catch products brought to market in this area are not mature.

Provincial and municipal fisheries bureaus are making concerted efforts to improve information on markets for good and profitable culture varieties, disease prevention and medicine, typhoon warnings, and red tide warnings. There have been no disease outbreaks to affect production of fishery catch or culture varieties in 2000 or 2001. There were no unexpected oceanographic changes in 2000 and none are foreseeable in 2001. Typhoons that hit southern and central coastal China hamper aquaculture more than catch. Fishing vessels are affected less because the 23 to 25 typhoons that reach China each year occur during the no-catch season. According to news reports, China was affected by over 10,000 square kilometers of red tides in 2000. This year, in early May, the government reported on more than 2,000 square kilometers of red tides near the mouth of the Yangtze River and Zhoushan Islands. The islands are an important area for shrimp culturing. At the beginning of June the government reported another 15 square kilometers of red tides in the Bohai Sea.

Government support for companies involved in aquatic production and trade is at regional and municipal levels. For example, in Qingdao, one company received tax relief for modernizing fish processing equipment. Also, in Qingdao, if a company has over 5 million U.S. dollars in trade, it receives 20,000 U.S. Dollars. This type of government assistance is not widespread. Regional and

municipal governments in other parts of China are improving port infrastructure, cold storage facilities, and coordinating and improving wholesale markets.

### Consumption

Living standards continue rising and demand for fresh aquatic products is growing. Chinese consumers are adventurous enough to consume new varieties of fresh products. Consumers have not, however, warmed to the idea of consuming frozen products.

Coastal cities along with large and medium-sized cities are still the largest consumption areas. Due to regional preferences, seawater products are consumed more than freshwater products. Per capita consumption of all fishery products in urban areas increased from 10.3 kilograms in 1999 to 11.7 kilograms in 2000. Rural area per capita consumption of all fishery products increased from 3.82 kilograms in 1999 to 3.92 kilograms in 2000. Overall, per capita consumption increased from 5.82 kilograms in 1999 to 6.74 kilograms in 2000. Post estimates a similar increase in per capita consumption to 7.8 kilograms in 2001.

Individual buyers and those from the HRI sector visit wholesale markets and wet markets to purchase fresh caught and/or live cultured products. In some very rural areas of China, aquaculture producers or fishermen will keep products in a tank on the back of a tricycle, visit restaurants, and sell the products to individual consumers on the street. In larger cities, individual customers go to the wet market or supermarkets for their products. Chinese style restaurants keep products alive in tanks or live-wells for customers to look at and choose from. Western style restaurants, usually, purchase their products from processing companies. Most processing companies have their own fishing vessels for deep-water catch and also deal in foreign trade.

As Chinese concerns for quality of life issues increase, the corresponding growth in ready-to-eat products, small packaged products, and half-processed products that save preparation and cooking time will increase. As the number of supermarkets grows in China, shoppers have access to a greater variety of products. Buyers may choose from cuts of fish along with frozen and chilled fish and aquatic products, as well as heavily processed products like fish balls, fish sticks, and crab sticks. In large cities, hypermarkets that offer Japanese style sushi and sashimi are very popular. Consumers are also paying more attention to product quality as determined by look, taste, health, and packaging.

There are no broad substitution trends towards fishery products and away from other protein sources despite recent news about BSE and hoof and mouth disease. The differences in consumption between aquaculture products and pork, beef, or mutton products is growing smaller. This is most likely because of changes in diet due to improved living standards.

Most domestic consumers of fishery products believe that caught products are better tasting and more nutritious. However, domestic consumers are consuming a higher level of aquaculture products. Post does not expect that growing domestic consumption will affect export supply. First, the varieties or species of fishery products that Chinese consume are different than those varieties or species exported. Second, a great percentage of export trade originates as products that are imported and processed for

re-export.

## Trade

Domestic trade of fishery and seafood products increases during the no-catch season. So far this year, during the South China Sea no-catch season, Shenzhen airlines reports that as much as 3000 kilograms of seafood products are air shipped daily from northern cities like Jinan, Dalian, and Qingdao to whole sale markets in Guangzhou, Shenzhen, and Hong Kong. The most popular varieties being airfreighted to southern China are: flatfish, tiger fish, yellow croaker, live sea cucumber, shell fish, conch, and sea urchin.

The zero growth goal on catch products will be sustained most likely by domestic increases in aquaculture production and domestic trade rather than by dramatic import increases. Imports that are destined for Chinese domestic consumption are assessed tariffs. In 2000, China reduced most all fishery and seafood products tariffs by 2 to 3 percent. Processors in aquatic trade expect China will continue lowering tariffs as it grows nearer to WTO accession. Then, after accession, China will phase in further decreases in tariff rates. As of now, however, the combination of tariffs, shipping costs, and product costs continues restricting most Chinese from consuming foreign fish and seafood.

Most of the increases in Chinese imports of fishery and seafood products are attributable to products that can be processed and re-exported. Imports that receive processing and are re-exported enter into China tariff free. Being tariff free, it means that product price, shipping costs, product quality and a good business relationship are more important for conducting trade.

Northern Chinese traders of fishery and seafood products report that Japanese and Korean trading companies are willing to wait longer than American trading companies for banking letters of credit to clear. The Chinese traders appreciate this and it helps the Japanese and Korean companies develop good relations for future business. In Southern China, shipping cost differences for receiving products from the U.S. and Australia through Hong Kong affects trade. This is because much of the product is shipped live by air freight to Hong Kong and then sent to wholesalers inside China.

Russia accounts for over half of frozen fish imports and, because of this, a large percentage of total edible fishery product imports. In 2000, China began importing frozen fish from India. China continues increasing its volume with significant amounts of frozen fish from India into 2001. Most of the frozen fish product is filleted and re-exported. Cuttlefish, a mollusk, is also traded in large amounts. Nearly all of the imported cuttlefish receives processing and is re-exported to Japan, the U.S. and Korea. China attempts to supply its domestic market with self-caught cuttlefish. Imports of shrimp and prawn arrive from several countries. The bulk of these products is processed and exported, as well.

A large percentage of China's exports are live, chilled, frozen, and prepared eel products and chilled, frozen, and packaged cuttlefish. These products are exported primarily to Japan and South Korea. Another significant percentage of China's exports are fillets along with prawn and shrimp to the United States. A lot of the eel, prawn, and shrimp product originates as catch or culture within China, whereas much of the filleted product source is from imports.

Import Table					
Country: China, Peoples Republic of					
Commodity: Total Edible Fishery Products	Annual	Annual	Annual	1st Quarter	1st Quarter
	Volume	Volume	Volume	Volume	Volume
Market Year Begin	1999	2000	2001 Est.	2000	2001
	MT	MT	MT	MT	MT
Live Fish Imports	856	1,253	3,350	219	585
Chilled Fish Imports	5,107	6,430	4,601	1,703	1,219
Frozen Fish Imports	454,810	889,777	1,023,978	210,620	242,387
Fish Fillet Imports	9,046	15,051	23,446	3,486	5,430
Fish, Dried, Salted, or Brined Imports	7,816	8,832	6,029	2,162	1,476
Crustaceans Imports	36,606	80,427	109,097	15,174	20,583
Mollusks Imports	110,216	246,591	331,600	36,126	48,580
Prepared Fish and Caviar Imports	756	924	1,498	176	285
Prepared Mollusk and Crustacean Imports	710	1,732	3,286	173	328
Total Imports	625,922	1,251,017	1,487,620	269,838	320,872
Source: World Trade Atlas					

Import Trade Matrix				
Country: China, Peoples Republic of				
Commodity: Total Edible Fishery Products	MT			
	1999	1999	2000	2000
Nation	Volume	Percent	Volume	Percent
Russia	325,255	51.96%	487,221	38.95%
India	8,168	1.30%	130,606	10.44%
United States	47,953	7.66%	93,456	7.47%
South Korea	24,472	3.91%	62,254	4.98%
Thailand	7,304	1.17%	50,329	4.02%
Taiwan	13,130	2.10%	49,536	3.96%
Japan	29,936	4.78%	47,193	3.77%
Norway	16,125	2.58%	36,632	2.93%
Canada	10,024	1.60%	35,240	2.82%
Argentina	55,182	8.82%	34,567	2.76%
Others	88,373	14.12%	223,983	17.90%
Total	625,922	100.00%	1,251,017	100.00%
Source: World Trade Atlas				



Export Table					
Country: China, Peoples Republic of					
Commodity: Total Edible Fishery Products	Annual	Annual	Annual	1st Quarter	1st Quarter
	Volume	Volume	Volume	Volume	Volume
Market Year Begin	1999	2000	2001 Est.	2000	2001
	MT	MT	MT	MT	MT
Live Fish Exports	94,509	97,627	123,829	19,929	25,278
Chilled Fish Exports	69,876	60,851	84,958	11,918	16,639
Frozen Fish Exports	367,020	379,053	358,980	65,309	61,850
Fish Fillet Exports	263,722	342,009	396,869	66,504	77,171
Fish, Dried, Salted or Brined Exports	21,181	24,557	23,986	4,784	4,673
Crustaceans Exports	81,550	94,076	136,042	14,506	20,977
Mollusks Exports	220,137	223,534	180,910	51,949	42,043
Prepared Fish and Caviar Exports	109,787	151,055	175,047	33,857	39,234
Prepared Mollusk and Crustacean Exports	68,305	111,968	145,711	15,840	20,614
Total Exports	1,296,087	1,484,730	1,609,334	284,596	308,480
Source: World Trade Atlas					

Export Trade Matrix				
Country: China, Peoples Republic of				
Commodity: Total Edible Fishery Products	MT			
	1999	1999	2000	2000
Nation	Volume	Percent	Volume	Percent
Japan	519,554	40.09%	612,474	41.25%
South Korea	290,670	22.43%	280,661	18.90%
United States	140,936	10.87%	183,547	12.36%
Hong Kong	140,772	10.86%	149,336	10.06%
Others	204,155	15.75%	258,713	17.42%
Total	1,296,087	100.00%	1,484,730	100.00%
Source: World Trade Atlas				

## Marketing

Trade shows and expositions are one path for Chinese importers and exporters to meet foreign suppliers or buyers. Chinese importers enjoy attending seafood shows and company tours in the United States. Yet, Chinese traders mention language as one of the reasons more Chinese aquatic food



processing companies do not attend U.S. fishery and seafood shows. The Chinese annual seafood exposition is an alternative to U.S. shows. At last year's annual seafood trade show in Beijing, post noticed a significant number of Norwegian representatives. This year, the annual seafood exposition will be held in Qingdao from October 30. Also, several provinces are initiating their own government sponsored expositions this fall. Corporate involvement, from the U.S. and other foreign countries, is welcome.

Chinese trading companies and processors enjoy business with other Asian nations, like Korea and Japan. In addition to being more lenient on letters of credit, Chinese feel more comfortable with Japanese and Korean companies who have employees trained in Chinese language.

In spite of all this, there are market opportunities for U.S. fishery products. In addition to the varieties needed to make up for the no-catch season in southern China, processors report that demand for salmon, perch, shrimp, brine shrimp, and eel is not met locally. Processors in Qingdao, a northern city, report a need for Alaskan pollock, sea bass, salmon, Yellowfin sole, baracuda, cuttlefish and other squid. Partly because of regional trade competition, Dalian, another northern city with a sizable fishery and seafood processing sector, has turned away from processing pollock in favor of processing Yellowfin sole. Post has heard that demand for Yellowfin sole has not been met.

Some southern Chinese wholesalers import American lobster and U.S. Geoduck through Hong Kong. This is expensive and done in limited volume. These U.S. products compete with Australian lobster and Canadian Geoduck. Traders are under the impression that U.S. product quality is deteriorating. They feel American lobster is inferior to Australian lobster. Additionally, they say that although American Geoduck is still very popular it is inferior to Canadian Geoduck.

These traders mentioned that the U.S. Geoduck promotion that took place around 1995 was highly successful. Other international products showing up in southern wholesale markets include Vietnamese, Malaysian, Thai, and Filipino shrimp, crab, eel and fish. Another competitor in the China market is Norway. Norwegian government representatives have also toured trade centers and aquaculture production centers in China.

There is a saying within Chinese business culture that translates into "No banquets without fish." Chinese culture also believes that female aquatic products are more nutritious and do more to promote a consumer's health. Even with these cultural beliefs, Chinese companies have done very little domestic market promotion. When there are promotions, it consists of advertising flyers at wet markets and supermarkets or other points of sale. In an effort to increase sales, one processor is looking to open several chain stores that offer company varieties to individual shoppers.

Chinese producers and traders would like to learn about American regional taste preferences for aquatic products. China is very eager to market tilapia, Chinese catfish, large mouth bass, and American red fish processed products in the U.S. As a competitor in third country markets, China trades chilled and fresh aquatic varieties to European nations and live eel, roasted eel, and chilled or frozen filleted eel to Japan.

Several municipal governments are building improved ports and wholesale markets. The largest value wholesale market in China, Huangsha in Guangzhou, has extensive expansion plans for the next three to five years. The city of Ningbo intends to complete a series of bridges to Shanghai that will reduce transportation time for cargo and freight between the ports. Privately held companies are joining with state-owned companies to collectively fish in deep waters. This allows them to increase their tariff quota shares that are determined by number of vessels. State-owned processing and trade companies are expanding cold storage facilities. Product caught by these private and state held companies is then stored for processing during the no-catch season or at market demand.

## Policy

The newest China's Fishery Law took effect on December 1, 2000. Many of the newly added articles to the law are general. This allows provincial and municipal ocean and fisheries bureaus to implement specific regulations that impact the local fishery and aquaculture industry.

The law aims to improve the quality of fishery and aquatic products in China and to help protect resources. First, the law controls fishing vessels in EEZ waters. The law restricts the number of vessels and vessel horsepower to limits that were in place in 1995 at the end of the 8<sup>th</sup> Five Year Plan. Second, the law restricts areas where vessels may fish and institutes a no-catch season for China's four seas. The no-catch season in the Bohai Sea is from June 1<sup>st</sup> until August 1<sup>st</sup>. The no-catch season in the East China Sea is from June 16<sup>th</sup> through September 15<sup>th</sup>. The no-catch season in the Yellow Sea is divided into two parts. The North Yellow Sea no-catch season is from July 1<sup>st</sup> until September 16<sup>th</sup>. The Southern Yellow Sea no-catch season is from June 16<sup>th</sup> until September 16<sup>th</sup>. The no-catch season in the South China Sea is from June 1<sup>st</sup> to August 1<sup>st</sup>. Third, the law implements standards on over 30 varieties for key variety protection. Fourth, the law limits catching methods such as tools and net sizes eligible for use in China's fishing waters. Again, provincial and municipal bureaus may specify the standards.

Additionally, the law addresses: high quality variety as well as fry production, extension, and trade; accountability and responsibility for aquaculture use of ecological water area and sea culture intensity along with feed, fertilizer, and medicine application; catching permits, vessel operation permits, and vessel operations in foreign waters; port infrastructure; and the protection of fishery germplasm.